

**REMARKS OF CHAIRMAN DONALD A. MANZULLO**  
**BEFORE THE SUBCOMMITTEE ON TECHNOLOGY AND THE HOUSE**  
**COMMITTEE ON RULES**

**“PROPOSED CHANGES TO THE RULES OF THE HOUSE”**

Wednesday, June 16, 2004 3:00PM in Room H-312, the Capitol

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to testify on the structure of the rules governing the House of Representatives. The Small Business Committee has a long and illustrative history going back to 1941 – just three days before Pearl Harbor was attacked – when it was created as a Select Committee with its main mission to investigate the role of small business in defense procurement. Small Business became a Permanent Select Committee in 1971 and was elevated again as a full standing committee in 1974 essentially with much of the same legislative and oversight jurisdiction it has now. When Republicans regained control of Congress in 1995, the legislative jurisdiction of the Small Business Committee was expanded to cover both the Regulatory Flexibility Act and the Paperwork Reduction Act because of the disproportionate effect these laws have on small business. These actions were taken because of the importance of small business to the overall economic health of the nation – 99.7 percent of all employers are small businesses; they contribute to over half of our nation’s Gross Domestic Product; they are responsible for most of the new innovations in this country; and they have created a net of between 60 to 80 percent of all new jobs over the past decade.

While the legislative jurisdiction of the Small Business Committee may be limited, previous leaders of the House of Representatives had the foresight to give the committee generous oversight responsibilities. I believe I have been a good steward of these functions to the benefit of the small business community. For example, we were able to demonstrate to the Immigration and Naturalization Service the devastating impact limiting B-2 visitor visas to 30 days would have upon small tourism operations and the economies in Florida, Texas, and California, particularly with regard to Canadian “snowbirds” who winter in the southern United States. We also showed how the proposed changes to the Real Estate Settlement Procedures Act would have unduly benefited large mortgage lenders at the expense of thousands of small real estate settlement providers, which resulted in the Department of Housing and Urban Development withdrawing its proposed rule. We also dug deep to discover that the Department of Defense wasn’t following the law when it planned to buy U.S. Army black berets from six foreign sources. We returned those contacts back to Americans working at small textile plants in Arkansas and Virginia.

However, our oversight is not limited to formal hearings. We make inquiries, write letters, and hold numerous off-the-record meetings and roundtables and obtain results. We were able to break up many large contracts to help small businesses – most notably, both the Army and the U.S. Postal Service office products contracts. We changed the

position of the Treasury Department to allow small service-related businesses to use the cash method – not the more complex accrual – method of accounting for tax collection purposes.

We work with other committees that have the legislative jurisdiction to enact bills sympathetic to small business. We hold hearings, roundtables, and intervene with agencies on various issues from Association Health Plans to a higher small business goal at the Export-Import Bank; from estate or “death” tax repeal to Federal Prison Industries reform. The broad oversight jurisdiction of the Small Business Committee gives the opportunity to showcase many of the items on the 21<sup>st</sup> Century Competitiveness Agenda that many of the committees with the appropriate legislative jurisdiction just do not have the time to hold a hearing.

Our Congressional predecessors were right in granting the Small Business Committee broad oversight jurisdiction. We continue to press on with further hearings proposed on the competitiveness agenda.

As part of the Defense Offsets Disclosure Act of 1999, legislative history tells us that Congress found offsets to be an issue for small business. Mandated offset requirements can cause economic distortions in international defense trade and undermine fairness and competitiveness, and may cause particular harm to small- and medium-sized businesses. We will focus on that issue later this year.

We also will not shy away from our prime legislative responsibilities by continuing to work to reauthorize the programs of the Small Business Administration and strengthen the Regulatory Flexibility Act to make sure that federal agencies truly listen to the interests of small business as regulations are being developed.

However, I would be remiss if I did not mention my frustration with what I believe to be a misinterpretation of our legislative jurisdiction on procurement matters. As I mentioned earlier, the genesis of the Small Business Committee started with a concern over the lack of participation of small business in military procurement and its possible implications for war preparation efforts prior to World War II.

There were a series of procurement “reform” bills approved in the 1990’s that have lead to decreased opportunities for small business to participate in federal government procurement. If the Small Business Committee had jurisdiction over these bills at the time, many of the mistakes of contract bundling and consolidation could have been avoided. In fact, even President George W. Bush believes that contract bundling has gone too far when he advocated for breaking up as many large contracts as possible in order to give small businesses the opportunity to bid and win procurement opportunities.

I find it strange that while the Government Reform and Oversight Committee can claim jurisdiction over practically every procurement bill that is reported out of our committee, based on the belief that small business procurement issues affects procurement in general, the Small Business Committee is denied referrals over general procurement bills reported

out of the Government Reform Committee even though these matters affect all small businesses equally and probably even greater than larger businesses. In 2003, the federal government contracted over \$65 billion with small businesses – so this is no "small" matter. Thus, the committee's jurisdiction on procurement matters shouldn't just be left to issues with Title 15 of the U.S. Code but throughout the rest of the Code since it equally affects small business. If there were to be any change in the rules affecting the Small Business Committee, I would advocate for sharing all procurement jurisdiction with Government Reform just as we do RFA matters with the Judiciary Committee and paperwork reduction issues with Government Reform.

Thank you for your kind attention.